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1961 and 1962 were poor years for Jamaica. Economic growth levelled off as the heavy investment of earlier years declined. Remittances abroad from the bauxite industries increased. Other major opportunity areas for investment have not appeared. When identified, heavy GOJ investment to make them feasible may be required.

At least part of the difficulty is of Jamaica's own making. For instance, the lagging construction industry was further demoralized by the Allen Award, a large pay raise to construction workers made retroactive for six months. It is symptomatic of the pressure on the labor government.

Somewhat less vulnerable to criticism is Jamaica's understandable lack of experience in dealing with international lending agencies. The essential justification for project credits has apparently not been sufficient. There is reason to believe some international agencies would give favorable consideration to good projects.

Today, the GOJ faces an expanding population which no longer has easy access to Great Britain as restrictions on Commonwealth migration come into effect. The economy of the country is narrowly based. The people are clamoring for a better living. The government faces difficult decisions on the use of its limited resources and like any other country, cannot always apply them for economic purposes. Opportunities for investment are both less obvious and less appealing. The government has no choice but to increase infrastructure and other forms of capital investment if it hopes to achieve again higher rates of growth and satisfy the demands of the electorate.

Despite its problems, Jamaica has accomplished much. It is a working democracy. Taxes are progressive. Government standards are high. Education is relatively widespread. Communist influence has been held to a minimum. It has just become a member of the U.N., I.B.R.D., and I.M.F.

#### C. Strategy

Current U.S. strategy for the transition period as Jamaica moves from colonial status into full self reliant independence is to help Jamaica attain economic viability and to improve social conditions. Also, it is to move her into full participation in the inter-American system through the O.A.S. These efforts on the part of the U.S. should help restore outside confidence in the future of Jamaica. The recently concluded investment guaranties agreement should help to attract U.S. investment.

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A.I.D. will attempt to counsel the GOJ on establishing a modern monetary system, and on the best methods to secure funds abroad. To this end, A.I.D. will assist in the preparation of documentation necessary to favorable consideration of loans from outside sources. A.I.D. will also help finance feasibility studies which might lead to new investment.

Rural areas of Jamaica, in which half the population lives, are relatively depressed. A.I.D. will apply resources to the agricultural sector, provided the loan now under consideration is not negotiated in FY 1963. The aim is to increase food production for domestic consumption. A.I.D. will continue the rural water program if alternative financing is not available. This program is designed to provide an easy and safe supply of water to the rural people for the first time. Development lending assistance in the future will be provided on hard terms.

In addition, A.I.D. will continue its efforts to help increase the productivity of small industries and attract private capital to industry through the Investment Guaranty Program.

D. Coals

Proposed funding range: Development Grants \$675,000, Development Loans, \$4,000,000.

1. Support GOJ efforts to increase domestic food production in certain lines by 50% in five years.
2. Support GOJ efforts towards industrial development with the aim of a 5% annual increase in industrial product.

This statement may be used, until further notice, as the basis for preparing the Congressional Presentation. Further revisions may be necessary before its issuance as Agency guidance.

Dr. Bee  
Administrator

March 21, 1963  
Date

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